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No. 2327

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BOLIVIAN ENERGY MINISTER ON GAS SALES TO ARGENTINA, BRAZIL

Exports to Argentina

La Paz PRESENCIA in Spanish 26 Apr 81 p 1

[Text] Buenos Aires, 25 Apr (EFE)--The Bolivian minister of energy and hydrocarbons, Frigate Captain Lider Sossa, during a press conference here, said that efforts will be made to adjust the new price of gas exported to Argentina on the basis of international parameters.

Sossa said, "The price is now $3.30 per million British thermal units (BTU), the equivalent of 250,000 kilocalories, while on world markets the price ranges between $4 and $5.

Sossa is in Buenos Aires at the head of his country's delegation which is made up of the Director of Negotiations of the YPFB [Bolivian Government Oil Deposits], the Deputy Director of Economic Affairs of the Foreign Ministry and the Director of Hydrocarbons of the Ministry who will negotiate a more advantageous price for the next few months.

The Bolivian Minister said that the United States is now selling 1 million BTU for $4.94; Mexico's price to the United States is $4.82; the Netherland's price is $4.80; Norway, $5.00; and the Soviet Union is supplying Italy, France and Germany across the Czech border for $4.10 per million BTU.

"The new prices we have just negotiated are to be effective on 1 April 1981, and we expect to attain supply levels satisfactory to both parties," Sossa said.

The present Bolivian gas export agreement with Argentina is for 20 years and will end in 1991. Both parties decided to review gas prices every 6 months. The last time the price of gas was reviewed was in September 1980.

"On that occasion," Sossa said, "we obtained an increase of $.90 from Minister Martinez de Hoz which satisfied both countries, with supplies of 230 million cubic feet per day in 1980, which brought our country $200 million."

Asked whether Argentine gas production might not be an impediment to exports of that product to Argentina, the Minister said, "There is a signed contract which commits both governments until 1991."

Exports to Brazil

La Paz PRESENCIA in Spanish 26 Apr 81 p 1

/Text/ Buenos Aires, 25 Apr (EFE)--In 10 months, Bolivia will be in a position to export gas to Brazil, according to information presented today in this capital during a press conference by the Bolivian minister of energy and hydrocarbons, Frigate Captain Lider Sossa.

The minister said that in 1982, when the gas pipeline from Santa Cruz (in the southeastern part of Bolivia) to Rio de Janeiro is completed, his country will be in a position to sign the contract with Brazil and to set the selling price.

Captain Sossa also said that Bolivia will be able to supply Brazil with 400 million cubic feet per day, almost double the amount now being exported to Argentina.

The presence of the Bolivian minister in Argentina is in connection with the round of negotiations being conducted to set the new price of gas for the next 6 months on the basis of international parameters.

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CSO: 3010/1261

YPFB RELEASES DETAILS OF AGREEMENT WITH ARGENTINA

La Paz HOY in Spanish 24 Apr 81 p 9

/Text/ Beginning this month, Bolivian Government Oil Deposits /YPFB/ will export 230 million cubic feet of natural gas to the Republic of Argentina. This represents an increase of 65 million cubic feet per day over the average 1980 volume.

According to the Minister of Energy and Hydrocarbons, before traveling to Buenos Aires to head the Bolivian delegation to negotiate the new prices of that product with Argentine State Gas, he said that pursuant to the latest agreement with that enterprise the government organization will export a volume of 230 million cubic feet per day beginning this month. The average volume of gas sold last year was 165 million cubic feet.

He announced that according to the agreement the above-mentioned volume requires the 100 percent utilization of the export capacity of the gas pipeline to the neighboring country and that in the event of failure to meet the terms of the agreement a schedule of penalties has been established.

Negotiations

The minister traveled to Buenos Aires yesterday to join the rest of the Bolivian delegation which had begun negotiations to establish the mathematical formula for the setting of prices for the natural gas exported to that country.

Part of the delegation, which is made up of Hugo Peredo, director of negotiations of the YPFB; Mario Zavala, director of hydrocarbons of the ministry; and Eusebio Moreira, deputy secretary of the ministry of foreign affairs, traveled to the Argentine capital Wednesday and will hold the first technical meeting today.

From 11 to 15 March 1981, technical delegations of both enterprises meeting in La Paz had preliminary talks to negotiate the mathematical formula on the basis of the formulas proposed by each of the interested enterprises.

According to the Minister of Energy and Hydrocarbons, both proposed formulas were the same; therefore, it is expected that an understanding will be reached during the present phase of negotiations or, failing this, Clause 10 of the purchase-sales contract will be applied. This clause specifies that three reference parameters for world prices of natural gas sold in other nations will be utilized.

Among the reference prices, he cited the price established between Canada and the United States which is $4.94 per million BTU and between Mexico and the United States which is $4.82 per million BTU.

He also cited the Netherlands' price which is $4.50 and that of the Soviet Union to European countries which is $5.00, including transportation.

The selling price of Bolivian natural gas to Argenina is $3.44 per 1,000 cubic feet, without liquefiables /licuables/

According to the Minister, the negotiations will attempt to establish the new prices of gas for the months of April through December. This will obviate the need for a new phase of negotiations at midyear.

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RECENT OIL PRODUCTION DATA SHOW SANTA CRUZ DEPOSITS LEADING

La Paz HOY in Spanish 22 Apr 81 p 2

/Text/ The Rio Grande oil field in Santa Cruz Department is the most productive of the total of 25 fields now operating in the country.

The latest statistics on oil production by field for the years 1975 and 1979 present an interesting picture.

As is publicly known, the drop in oil production became evident in the last 5 years of the past decade and will continue until the middle of this year, at which time two new fields will permit recovery on the order of 25 percent.

The official statistics published in the YPFB's /Bolivian Government Oil Deposits/ Annual Report for 1979, which was disseminated recently, reveal that oil production in 1975 was 2,342,000 cubic meters with a continuous drop until 1979 at which time production totaled 1,617,500 cubic meters.

The most important field from the crude oil production standpoint in that 5-year period was Rio Grande with 727,000 cubic meters in 1975. This figure dropped to 673,000 cubic meters in 1979.

The Monteagudo oil field in Chuquisaca was the second in order of importance. In 1975, it produced 392,000 cubic meters and over 205,000 cubic meters in 1979.

La Pena, in Santa Cruz, was third in importance. Production in 1975 was 329,000 cubic meters and 168,000 cubic meters in 1979.

The Caranda oil field, in Santa Cruz, produced 242,000 cubic meters in 1975 and 102,000 cubic meters in 1979. Colpa dropped from 216,000 cubic meters in 1975 to 88,000 cubic meters in 1979.

Natural Gas Production

Natural gas production was of course more encouraging and has better prospects than crude oil production.

Because of the country's sizable gas reserves, total production in the last year reported in the official statistics was 4.449 billion cubic meters.

The Rio Campo field, as in the case of oil, was the most productive field with 2,783 billion cubic meters, followed by Colpa with 673 million cubic meters in 1979.

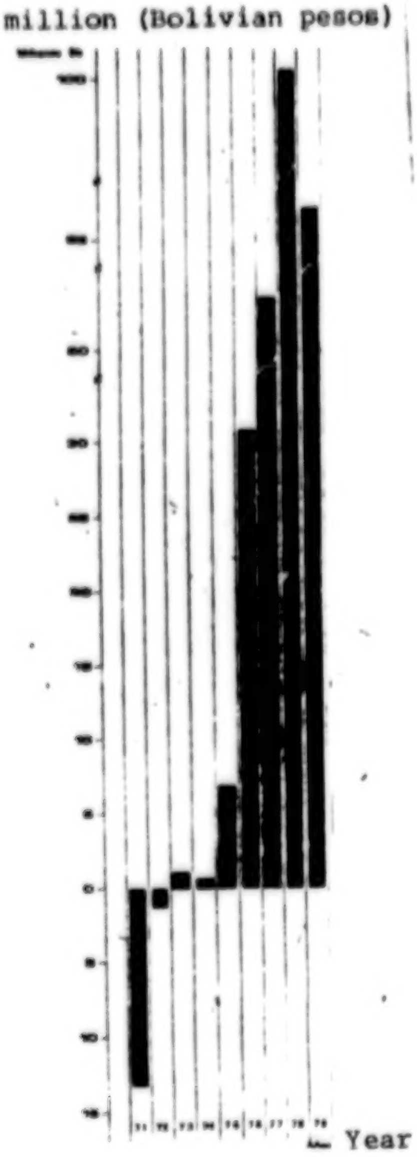
The Tita field produced 586 million cubic meters that year. Combining the production and use of natural gas between 1975 and 1979, resulted in an injection volume of 60,615 billion cubic feet at the beginning of the 5-year period compared to 76.295 billion cubic feet in 1979.

Some 2.263 billion cubic feet were used for fuel in 1975 and 3.949 billion cubic feet were used in 1979.

Somewhat in excess of 16.751 billion cubic feet were burned off in 1975 and 10.6 billion cubic feet in 1979.

Some 57.668 billion cubic feet were sold in 1975, and in 1979 this figure rose to 66.294 billion cubic feet.

In summary, total production in 1975 was 137.297 billion cubic feet, the equivalent of 3.887 billion cubic meters; and in 1979 the total was 157.138 billion cubic feet, or approximately 4.449 million cubic meters.



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CSO: 3010/1261

BIOGAS PILOT PROJECT PRODUCES SCANT RESULTS

La Paz PRESENCIA in Spanish 24 Apr 81 p 8

/Text/ The initial biogas production experiments on the Bolivian altiplano were not very satisfactory, according to the Ministry of Energy and Hydrocarbons.

When the three "digesters" installed at the Kallutaca experimental farm in La Paz were placed in operation, energy production was lower than expected; therefore, new experiments will be conducted after the required technical adjustments are made.

The "digesters" are supposed to produce gas usable for fuel from the decomposition of organic waste materials. According to the official report, apparently there were a number of defects in the organic materials loading system.

After consultation with the technicians in charge of the project, it was decided that the "digesters" would be loaded with organic materials to which solar-energy-heated water was added. It is expected that the results of the new experiment will be satisfactory.

The installation of biogas production systems in La Paz Department is part of an experimental program designed to study the possibility of future uses of that energy source to meet the needs of small rural communities remote from the principal energy distribution networks.

Three "digesters" will be installed in Cochabamba and three more in Beni.

The program is being handled by the National Institute for Rural Electrification (INER), with financing and advisory services provided by the Latin American Energy Organization (OLADE).

The results of this experimental program will determine whether future massive biogas production and consumption programs will be carried out.

Mini-Power Plants

The Ministry of Energy report also states that action will continue to install several mini-hydroelectric power plants in the country's rural areas.

Ministry technicians and OLADE and UN representatives are preparing to inspect the Cachuela Esperanza area, north of Beni, where the first of these mini-power plants will be installed.

Several Bolivian technicians are now being trained abroad.

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CSO: 3010/1261

CEPE INTENSIFIES OIL EXPLORATION IN AMAZONIAN REGION

Quito EL COMERCIO in Spanish 4 May 81 p A-10

[Text] CEPE, the Ecuadorean State Petroleum Corporation, concluded in mid-April the fifth of the Amazonian drilling operations scheduled for this year, called the Secoya 3 exploratory well, located in the field of the same name.

CEPE stated it is now working on three other wells, Shuara 3, Shuara 5 and Bermejo South 2, projects which will be completed in mid-May. Previously, CEPE had drilled exploratory wells Secoya 5, Secoya 6 and Shuara 4, and in January had completed drilling the Shuara 2 developmental well.

CEPE's projects in the Amazon region seek basically to learn the boundaries of the recently discovered deposits and to extablish with greater precision the reserves they contain.

This year's CEPE plan calls for drilling a total of 41 wells, which will make it possible to bring on line a total of eight oil fields between 1982 and 1983. The investment contemplated for this program is about 1.7 billion sucres. The wells drilled so far have confirmed the hopes which had been entertained about the amount which these northeast Venezuelan fields would add to the nation's present reserves.

CEPE's 1980 explorations led to drilling of prospecting wells in the northeast which resulted in the discovery of four new deposits: Secoya, Shuara, Shushuqui and Tetete. Previously the Cuyabeno structure had been restudied and late in 1979 the Sansahuari field was discovered; all these sites showed positive results, and this led to action toward bringing them on line as quickly as possible. Additionally, CEPE initiated work toward building the infrastructure needed for immediate development, such as highways, secondary pipelines, storage and transport units and so forth.

With the aim of making the projects viable, a drilling unit was bought in Mexico early in 1981 and brought to the Amazon region to perform the exploratory and developmental drilling in the Cuyabeno and Sansahuari fields.

This year, the announcement continues, CEPE will purchase another unit and utilize four more under contract to step up the drilling program.

In 1982 the nation's production will be augmented in the following ways: first the Charapa field will be developed with an initial production of 1,500 barrels. In the second half the fields of Bermejo, Secoya, Shuara, Shushuqui and Tetete will begin production and add a total of 36,000 barrels per day to national production. In 1983 the fields of Cuyabeno and Sansahuari will be added, with an estimated total increment of 8,000 barrels.

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TEXT OF DIAZ SERRANO SPEECH IN USSR ON GAS, OIL

Mexico City EL DIA in Spanish 15 May 81 pp 8-9

[Speech given by PEMEX general director Jorge Diaz Serrano at the technical plenary session of the Meeting of Gas Producing Countries, in Leningrad, on 13 May 1981]

[Text] Following is the speech delivered by the general director of PEMEX [Mexican Petroleum], Jorge Diaz Serrano, at the technical plenary session of the Meeting of Gas Producing Countries, held on 13 May in the city of Leningrad, Union of Soviet Socialist Republics:

Mr Chairman, honorable Presidium,distinguished participants:

It is a great honor for me, on behalf of Mexican Petroleum, to address this message to such a distinguished group of representatives of the world gas industry.

Natural gas which, for a long time was regarded as a nuisance in oil exploitation, and which came into being with the mark of a waste product, is now, after oil, the leading energy source for mankind, already equaling coal in consumption. During the coming years, its importance will increase further still, if and when the problems associated with it are handled wisely.

In 1980, the proven gas reserves in the world totaled some 2.55 quadrillion cubic feet, and in 1979 the production was 57 trillion. At that time, the reserve-production ratio was 45 years, a figure far higher than that recorded in the case of oil, which was about 17 years.

According to the studies and hypotheses of our geologists, it is estimated that we in Mexico will have to continue discovering large gas producing deposits and that, as a result, the national reserves of this produce will increase.

According to the information provided to us by the areas containing the most oil wells in the world, it is possible that the total potential for production of natural gas reckoned until the end of the hydrocarbon era will be of the same magnitude as the potential for total crude oil production. We subscribe to the belief that there is as much useful gas as oil in the subsoil. This increasing order of magnitude of the potential for natural gas production will necessarily promote major changes in the world's energy strategies.

As you are well aware, natural gas is a unique fuel. It can do many things better than other leading fuels; and it is also true that there are certain things which other fuels do and which natural gas cannot do easily. Therefore, we must put natural gas in its proper place among the finest fuels. It is a place located among certain crude oil byproducts. And we must also bear in mind the fact that natural gas can sometimes perform functions that are also carried out through the use of electricity.

Natural gas has been used for many years, and with great efficiency, in the two countries with the most developed economies in the world. The Soviet Union and the United States of America have used large volumes to meet mutiple needs, and with positive results.

We believe that having this energy available, and having used it wisely, is a fact that has helped these countries considerably to attain the position which they hold today, and also in their definitive gain of a high standard of living for their inhabitants.

U.S. and USSR, Leaders in Natural Gas Development

Hence, we deem it feasible to engage in similar development of the production and use of natural gas in the other nations of the world, and we also consider it necessary to increase the production in the Soviet Union and the United States, as well as in Canada and other countries which are outstanding for their high status and progress, and their considerable use of natural gas, enabling them to be called leaders in the development of this fuel.

The production and use of natural gas has faced many problems in different areas, and the majority of those problems still remain in varying degrees.

Its transportation over medium and long distances in large volumes has met with technical obstacles, but with political and economic obstacles in particular. In many instances, these problems have precluded the development of certain deposits which were already discovered. There are instances wherein, when natural gas was discovered, not even a complete evaluation was made of the reserves and potential.

Generally speaking, when oil is involved, its mere shipment means its commercialization on the international market, and the possibility of meeting energy requirements in various parts of the globe; but when natural gas is involved, a parallel situation does not occur. Its liquefaction has not allowed for its total internationalization, and there are but few agreements among countries which allow the movement of this product through pipelines crossing border areas.

The by now historic events that have taken place in the world of oil during the 1970's attested to the imminence of an energy crisis, which would have fatal consequences for mankind in the event that suitable, timely measures were not adopted.

At the UN in 1979 JLP Warned of the Need to Create Other Energy Sources

During September 1979, the president of Mexico, Jose Lopez Portillo, explained to the General Assembly of the United Nations the need for mankind to undertake the establishment of a bridge in time to cover the period of energy transition, a transition which will occur when oil is replaced as a leading source of energy.

This temporary bridge must allow for a peaceful passage between the present era, the era of hydrocarbons, to the era of the energy sources replacing the latter.

In this plan, the hydrocarbons, oil and natural gas, will constitute the factor that will determine the interval for moving from the known to the unknown.

The energy plan proposed by Mexico to the international community cites, among other objectives: "rationalizing the exploration, production, distribution, consumption and conservation of the present sources of energy supply, particularly hydrocarbons;" and "insuring and increasing the systematic exploitation of potential reserves of all kinds, both traditional and unconventional, which it has been impossible to use owing to a lack of financing or applied research." In other words, Mexico, in its proposal, expresses the view that the known oil and natural gas reserves, as well as those discovered in the future, may be sufficient to meet the world's energy requirements while energy resources are being found to replace the hydrocarbons; but (the rationale continues), in order to do so, efforts and an understanding of the problem are required, and both to an exceptional degree. One of the indispensable premises is that natural gas must assume its role totally.

As a practical example, Mexican Petroleum is implementing the commitment assumed by Mexico with the signing of the Agreement of San Jose, Costa Rica, together with Venezuela, regarding the preferential treatment, without cutting prices, that must be given in hydrocarbon sales to the nations of Central America and the Caribbean.

In this way, our country is maintaining and reaffirming its sovereignty with respect to the destination of its export products, and is consistent with the principles set forth at the United Nations for cooperation in the establishment of a new, more just and solidary, international economic order.

Mankind will have to learn to evaluate. The use of gas may be greater than the energy that is generated by means of nuclear energy.

The Use of Gas Could Exceed the Energy Generated By the Nuclear System

Mankind will have to learn to evaluate this natural resource because, in addition to oil, it is one of the few real, tangible resources available to meet the energy requirements of mankind during the next decades.

In fact, it must be realized that the possible increments in the use of natural gas may exceed by far the energy generated by the nuclear system. This claim is based, on the one hand, on what has already been mentioned, that is, that the gas reserves could equal those of crude oil; and, on the other hand, on the figures published in realistic estimates regarding the amount of energy to be generated through the nuclear system until the year 2000.

Suitable Methods Are Being Sought to Build International Gas Pipelines

Within this context, it will be necessary to improve and publicize the proper techniques for discovering, producing and transporting natural gas from remote, desolate areas to the markets, and to establish new mechanisms for financing, so that this energy source may assume its complete role. Suitable methods must also be sought to make it possible to build and operate extensive international gas pipelines, with complete respect for the politicoeconomic decisions of the states and putting respect for the latter's sovereignty in first place.

Mexico has traversed and learned all the historical phases that have imposed conditions on the exploitation of natural gas. During the first decades of this century, the gas was burned in the atmosphere; and later, its use as a household and industrial energy source had a direct, growing impact on the national energy structure. It has also been used largely as a petrochemical raw material.

We might add that, at the present time, both the liquids and the sulfur extracted from the gas are major items in the country's economy and industrial development.

Mexico has created a national system of gas pipelines 8,700 kilometers long, the backbone of which is comprised of a gas pipeline with a diameter of 48 inches, and over 1,200 kilometers of extension. Its construction required under 12 months, and Mexican technology was used therein. This pipeline connects the gas system in the northern part of the country with that in the south, for the purpose of initiating the development of a system of national scope.

At the present time, construction has begun on another major pipeline with the same 48-inch diameter, nearly 1,000 kilometers long. It will carry gas from the marine development in the Gulf of Campeche to the more heavily populated area of the country, extending from Mexico City to Guadalajara, which is the urban nucleus with the largest number of inhabitants in the republic.

An attempt is being made to give the Mexican natural gas system several supply points, not only to improve its economy, but also to better guarantee its continuous operation over the months and years.

We have proven on constant occasions that gas is an element that fosters economic development. Every time natural gas reaches a town on the first occasion, that town develops its economy, expands its industry and improves the living conditions and employment of its residents.

Natural gas and the liquids obtained from it have fostered the development of the petrochemical industry. Today, Mexico is a major exporter and consumer of ammonia, and it is starting up plants on a maximum world scale to produce ethylene and aromatics, all manufactured from gas and its liquids. Construction is beginning on the largest methanol unit in the world, with a capacity of 2,500 tons per day. This unite will operate with a single processing and compression line.

We have covered, step by step, a long course of efforts to make efficient use of this precious natural resource, which is unquestionably the leading energy resource after oil. We think that our experience will be useful to enable other countries to attain its complete, efficient utilization.

Mexico began the production of oil and of its gas at the beginning of the century, with the work on deposits on the coastal plain of the Gulf of Mexico.

In 1921, its crude production totaled 520,000 barrels per day, which at that time converted Mexico into the second-ranking world producer. In addition to this oil, it produced [illegible] million cubic feet of natural gas per day, which was burned in the atmosphere, as was customary in most of the oil operations in the world.

Its oil production declined later and, in 1938, a date when the hydrocarbons industry was taken over by the Mexican Government, it totaled over 100,000 barrels per day.

After 1938, the crude oil production increased slowly, but constantly, until it reached a total of 800,000 barrels per day in 1976.

In December 1976, when President Lopez Portillo took office, a new oil program was devised. This program has, among other things, made it possible to increase crude oil production which, in November 1976, was 812,989 barrels per day, to 2.55 million barrels per day, which is what we have at present.

Concurrently, goals which are perhaps even more important have been attained, such as the increase in proven reserves of hydrocarbons, crude oil, natural gas and its liquids, from 6.3 billion barrels to 67.83 billion barrels. We have also reported having 47 billion barrels of probable reserves, and we have 250 billion barrels of potential reserves, a figure which includes both the proven and probable ones. These volumes include the oil and natural gas.

Of the volume of proven reserves, 78 percent relates to crude oil and liquids from gas, and 22 percent to natural gas that is already dry.

During these past 4 and a half years, natural gas production increased from 2.1 billion to 4.1 billion cubic feet per day.

As we mentioned previously, during the early years of oil exploitation, gas was considered all over the world as a hyproduct with little commercial value; and hence most of it was wasted, and burned in the atmosphere.

Mexico was not excluded from this tendency, and made virtually no use of the gas from 1901 to 1947, because it did not have the necessary facilities for its utilization. Moreover, the demand was slight. In the aforementioned year of 1947, it began using part of the gas that was being produced, when the first compression stations, as well as the first treatment plants, went into operation. Most of the gas that emerges in Mexico is damp, with heavier hydrocarbons, and contains sulfur. These elements have to be removed from it, and hence the development of the use of gas has taken place concurrently with the construction of plants for its necessary processing.

For many years, the production and use of gas increased, so that a sizable part of the gas was always burned in the atmosphere.

In 1976, a program was started to make total use of the gas, and we can now report that all the gas produced on land is being used, because only under 3 percent is burned in the atmosphere; and this occurs mainly in the burners which, for safety reasons, operate in the industrial facilities and in those handling large volumes of gas and crude.

When Gas Is Burned in the Atmosphere the Future of a Nation Is Burned

Currently being burned in the atmosphere is the gas from the marine operation in the Gulf of Campeche, totaling 600 million cubic feet per day. We can report that, within 2 months, we shall start sending this gas to land, because the construction has been finished on the sea to land gas pipeline, and the first compression stations are going into service. By the end of this year, complete use will be made of the gas coming from our fields, and only less than 2 percent will be burned in the atmosphere, a figure that we consider satisfactory, particularly in an operation which is not only large, but is also increasing rapidly and constantly.

When the world burns gas, it is burning its future. We are not doing this.

One of the main activities undertaken to reduce the burning of gas was the accelerated installation of compressors. From 1947, when natural gas was first used in Mexico, to 1976, that is, over a period of approximately 20 years, compression equipment with a total of 350,000 HP was installed. From December 1976 to date, in other words, in a little over 4 years, 495,000 HP has been installed; that is, during the past 4 years there was an increase of nearly 1.5 times the total capacity installed during the previous 30 years.

The plants built to make total use of gas are large, with modern technology. In its time, Mexico was among the first to build large plants to recover sulfur, and also to use cryogenic processes to recover the liquids from gas, including ethane.

An example of what we are constructing at present is the Cactus complex, in the state of Chiapas. This unit processes 2 billion cubic feet of gas per day, recovers 155,000 barrels of liquids per day, including ethane, and also produces 1,000 tons of sulfur daily.

At present, the national production of liquids from gas totals 255,000 barrels per day.

As we noted, we have 8,700 kilometers of main gas pipelines, bearing in mind that a sizable portion of that length consists of pipes measuring from 24 to 48 inches.

An additional 6,300 kilometers are currently at the height of construction, both to ship more gas to the towns consuming it and to supply new development poles.

Over the next few years, according to the programs for exploitation of hydrocarbons, the status of the production and utilization of natural gas in Mexico indicates that the production of this energy source will continue to increase, and that it will be possible to meet the growing future demand in the country, even considering the foreseeable increments in consumption by the iron and steel, electric, petrochemical, oil and other industries, as well as the constantly increasing requirements for the different areas related to meeting everyday needs of the population, including households. There will also be surplus volumes available, at all times in amounts consistent with the government programs.

At present, natural gas production stands at 4.1 billion cubic feet per day; and, according to our program, by 1982 we shall be producing 5 billion.

This production will come mainly from the Mesozoic oil producing areas of Chiapas and Tabasco, and the Gulf of Campeche, both located in the southeastern part of the country, as well as from the gas producing regions of the Gulf of Sabinas and Reynosa, the latter located in northern Mexico.

Pursuing the policy of total utilization of the natural gas that is produced, Mexican Petroleum will continue to build pipes for collection and transportation, especially in the marine fields in the Gulf of Campeche. Thus, in the near future, the underwater gas pipeline system, 36 inches in diameter, will go into operation, taking the gas produced from the Gulf fields to the major processing center located in Ciudad Pemex, 200 kilometers away, where it will reach plants that are now virtually completed. The treated dry gas will be incorporated into the transportation and distribution systems.

The gas from the sea will be compressed in compression platforms which are currently being installed in the Gulf of Campeche. The system will be completed by seven platforms provided with 20 modules, with a capacity to compress 100 million cubic feet per day apiece. It should be noted that three of these platforms will have four modules, to achieve a capacity of 400 million cubic feet per day for each, making them the largest marine compression platforms in the world, with twice the capacity of the largest ones installed in the North Sea.

Also to be constructed is a recompression station on shore, with a capacity to handle 1.3 billion cubic feet per day. For this purpose, Mexican Petroleum is using the most advanced technology in the world, installing large units driven by gas turbines connected to centrifugal compressors. The construction and design of several new gas processing centers, which will back a constantly growing operation, are in varying stages.

Fair Price for Gas That Will Properly Evaluate Its Use

To complete this picture, we should mention the commercial efforts expended by Mexican Petroleum to give the exported gas a fair price, a price that will rank it in the category of the finer fuels, so that its use will be properly evaluated, and so that this price will foster the exploration and development of more deposits which will in turn feed the growing consumption.

In 1977, when the potentiality of the deposits located in the Cretaceous areas of Chiapas-Tabasco, in the Sabinas Basin and in the Gulf of Campeche was consolidated, there was an all-important change in all the plans for oil development, and a reconsideration from the foundation of what had been scheduled for the country's economic and social development.

The nation had these resources available in a particularly timely manner, because it was experiencing a difficult situation. However, with the backing of hydrocarbons, we could look toward the future with optimism, and consider loftier social objectives and goals, which will lend the country greater strength, and will project it into the next century as a developed nation.

As a major part of this new concept of development, we required a gas pipeline with a large diameter and considerable length, that would connect the existing systems in the north and south, and insure the supply of natural gas to a large portion of the country's industrial areas, hence we might, in addition, export surplus volumes of natural gas. For such exporting of these surpluses, negotiations were conducted with a large number of firms in the United States which ship this produce, six of which were selected. Thus, the negotiations took place and a letter of intent was signed with these companies in which the price for the gas was set. However, one fundamental requisite in those arrangements was the acceptance of the price on the part of that country's government. This price was the result of a firm rationale and a consistent policy aimed at lending natural gas the necessary dynamics for its development in accordance with the concepts that we have been citing. The United States Government refused to approve the deal and we, quite realistically, accepted the situation and decided to use the exportable volumes of gas in Mexico too. The gas pipeline, which was going to be used partially for export, was totally converted into the axis of a national gas system; and the volume that we were going to export would be consumed by us. It was a good decision; we are consuming it to our advantage within the country.

We Export Small Gas Surpluses to the United States: 300 Million Cubic Feet Per Day

The talks were resumed subsequently, and an agreement was reached with the United States Government for the export of only 300 million cubic feet per day. A contract was signed for this purpose with the same companies with which we had originally negotiated, wherein it is stipulated that the price is subject to quarterly changes, based on the following system: the arithmetical average of a container consisting of the following five crudes: Isthmus of Mexico, Light Arab, Sahara Blend of Algeria, Forties of the North Sea and Tia Juan Nedio of Venezuela, is calculated. This result is compared with the export price of Canadian gas, and the highest price is set.

As a result, at the present time, after meeting the domestic consumption, we are selling only a small surplus to the United States. More important to us than the size of the natural gas exports is the revaluation of natural gas, which we uphold as a principle. This export supply began in January 1980, and has been taking place quite regularly.

We believe that the negotiations between Mexico and the United States on the price of exported natural gas have affected the revaluation of this energy source on the international markets.

In those negotiations, Mexico observed the conduct that befits every developing country which produces and exports raw materials, and which has an obligation to its own citizens and to the other nations with the same features to attempt to have the sales take place under fair pricing terms.

But my country has also always borne in mind what we remarked about the importance of natural gas, its development and its international trading: the need for fostering its search, production, marketing and use.

Mexico is no longer merely an exporter of raw materials, but is also putting on foreign markets many manufactured products, as well as purchasing others too. This enables us to have a balanced view of such matters.

The viable future use of natural gas will depend largely on the agreements between the producers and consumers, and this will have a deepseated effect on mankind's energy future.

The users will normally pressure to obtain low prices, so as to reduce their energy costs as much as possible; while the producers will request higher price levels, that will enable them to improve their chances for economic development.

As in many other human dilemmas, justice is never completely on one side alone; and furthermore, the situations change with the passage of time. It is imperative to negotiate in search of a reasonable agreement. It is also very important to have mental openness, and a state of mind that will make it possible to grasp the changing times, because the lasting nature of the agreements will be contingent on this. The future of natural gas development may depend on this type of thing. The future of energy may also depend on it; and that is why we are constantly emphasizing it. The consumers must pay a price that will insure them a supply of this energy source for many years; the producer, in turn, will accept the price that will enable him to engage in exploration and constant development of the new fields, and that will also enable him to receive and retain large sums to be used as he deems feasible, for the development of his country. The agreements must also have the necessary flexibility to make them lasting, as well as subject to normal renewal without obstacles.

These same tendencies must be promoted in the international oil trade, because they will be necessary over the medium and long term. The producers and exporters must receive the fairest possible treatment, so as to generate the necessary development for providing time to establish and consolidate what will come after hydrocarbons. Industrialization must be fostered with good results for hydrocarbons and byproducts, both in the case of gas, and in that of refining and petrochemicals; because this constitutes an additional part of the mechanism that will facilitate the negotiations between producers and consumers, and make them more lasting.

When the producers revaluate their raw materials, upon industrializing them, they can speak in a language that is more similar to that of the consumers. To some extent, the energy future of mankind will depend on the agreements between producers and consumers; and therefore, the lack of tension and the possibility of improving the relations between countries will also be a result of these agreements, if we achieve them at all.

Promoting the necessary elements for the development of nations which have not attained better living standards could be a step toward reducing the causes of conflict, and lessening the causes of the inequalities suffered by the world, as well as increasing the expectations for a long and genuine peace.

The agreements currently being signed between natural gas producers and consumers reflect this inevitable game of interests. It is obvious that there is a greater desire on both sides to achieve mutual understanding.

Moreover, everyone must help to find better systems for transporting natural gas.

We must realize that, so long as the world does not have consistent strategies for the use of natural gas, the risk of new dangerous incidents in the oil trade will increase, and another international economic crisis could result therefrom.

If this should, perchance, occur, the virtues of gas would become spectacularly evident again. Unfortunately, gas would perhaps emerge as a solution at the wrong time; perhaps it would arrive too late. The natural gas producer and consumer should unite so as, together, to seek the mechanisms that will make it possible to use the most important energy source after oil.

This energy source is the one which could really contribute most effectively toward the transition from the oil era to the era of tomorrow. Better than any other, it can guarantee a peaceful, agreed upon and programed transition between the two periods.

Mexico is certain that all these possibilities lie in gas, and its domestic energy policy is directed toward conversion into concrete, pragmatic decisions. Meanwhile, abroad, we are concerned, as I am concerned now at this important congress, about arousing a general movement of interest on behalf of the extensive, rational utilization of this energy resource.

Thank you very much.

2909
CSO: 3010/1374

PEMEX TO REFINE 40,000 BARRELS DAILY IN SPAIN

Mexico City EL SOL DE MEXICO in Spanish 17 Mar 81 pp 1-B, 4-B

[Article by Roberto Aguilar G.]

[Text] Mexican Petroleum [PEMEX] and the Spanish company Petronor will soon initiate a program to process 40,000 barrels of crude a day, with an investment of $500 million, according to Antonio Madariaga, director general of the Spanish company.

Upon his arrival in this city to take part in the celebration of the 43d anniversary of the nationalization of the petroleum industry, Madariago stated that Petronor has already become an important platform for the introduction of Mexican oil products in Europe, especially the introduction of petrochemical products to all the countries which now import hydrocarbon derivatives.

According to the director of Petronor, Spain needs Mexican technology, especially in the conversion of heavy to light crude and in the petrochemical field. These will be the two main aspects of the Mexican-Spanish cooperation involving the two companies mentioned above.

PEMEX now holds 34 percent of Petronor stock and has become the majority enterprise in the important Spanish company, a state of affairs especially favorable to the Spanish petroleum industry, according to Madariaga.

Madariaga rejected the idea that the presence of PEMEX was due to Petronor's lack of capital and maintained that the Spanish enterprise, having vast financial and capitalization capabilities, is an important partner for PEMEX and does not represent any risk.

Madariaga will meet with engineer Jorge Diaz Serrano, director general of PEMEX, to analyze the companies' future projects.

9341
CSO: 3010/1098

OIL EXPORTS TO EL SALVADOR PLEDGED

Mexico City EXCELSIOR in Spanish 15 May 81 Sec A p 5

[Text] Yesterday, El Salvador joined the group of countries that will be receiving Mexican oil, according to the terms of the San Jose Accord, signed by Mexico and Venezuela. It will be provided with 7,000 barrels per day, meeting 50 percent of its domestic consumption, and it will have credit facilities for making payment.

So, there are now four nations with that financial assistance and Mexican fuel for their domestic consumption, making a total of 40,000 barrels per day pledged.

That volume is being distributed thusly: 14,000 barrels to the Dominican Republic, 13,000 to Jamaica, 7,000 to El Salvador and 6,000 to Honduras. Agreements are yet to be signed with Costa Rica, Panama, Barbados and Guatemala.

The directors of the Central Banks of Mexico and El Salvador, Gustavo Romero Kolbeck and Alberto Benitez Bonilla, respectively, signed the protocol in this capital yesterday.

It is the agreement which schedules the financial cooperation stipulated in the San Jose Accord, through the energy cooperation program for Central American and Caribbean countries signed last year by President Lopez Portillo and President Herrera Campins of Venezuela.

That agreement is an example of the concrete action for order and rationalization in the production, distribution, transportation and consumption of energy which must be undertaken to attain the goals of the World Energy Plan, proposed in September 1979 by President Lopez Portillo at the UN, according to Romero Kolbeck's statement.

Based on the protocol signed yesterday, the Rio Lempa Hydroelectric Company of Salvador will receive 7,000 barrels per day of Mexican crude, that is, 50 percent of that country's net domestic consumption.

2909
CSO: 3010/1374

'MAYA' PRICE CUT WILL NOT AFFECT EXPORT INCOME

Mexico City EL SOL DE MEXICO in Spanish 26 Apr 81 Sec A p 14

[Text] Montemorelos, Nuevo Leon, 25 April (OEM)--Engineer Jorge Diaz Serrano, head of PEMEX [Mexican Petroleum], stated here today that Mexico will not suffer losses in its income from oil exports despite the fact that the "Maya" crude declined $2.50 per barrel and, "In the area of prices, we shall remain at the top of the world market."

He added that the foregoing attests to the materialization of the World Energy Plan proposed by President Lopez Portillo; because the world "is learning to cut energy consumption."

Diaz Serrano also disclosed that, "By the end of the year, we shall increase the production of the light oil the price of which did not drop on the world market, thereby compensating for the drop in the price of the heavier oil."

During the interview held with newsmen after the opening of the Jose Maria Paras recreational center, the head of Mexican Petroleum remarked that there is no plan to raise the production platform.

He said: "We are abiding strictly by the energy program, and we shall reach the platform of 1.5 million barrels per day as an average during the year;" stressing that, "This will lead us to a total crude production platform of 2.75 million barrels."

With regard to the reduction in the oil price, the official explained that Saudi Arabia has announced that it will not cut its daily production. He emphasized: "Now, there is an excess supply, and hence the crude of low grade is suffering the effects of the decline, a result of this excessive storage and excessive supply."

Nevertheless, he claimed that this situation does not represent any danger to the producers, subsequently warning: "The world must retain normal prices, with a moderate upward trend, without excessive leaps, so that the industrial countries may be able to plan, as well as the producing countries." He continued: "This is a reasonable proposition," and concluded by saying, "It involves an increase in the real value of crude with the passage of time."

2909
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ENERGY ECONOMICS

MEXICO

PEMEX: GAS SUPPLY SUFFICIENT FOR DEVELOPMENT

Mexico City EXCELSIOR in Spanish 17 May 81 pp 4-A, 6-A

[Article by Isabel Zamorano]

[Excerpt] San Luis Potosi, 16 May--By joining the extraction system at the Gulf of Campeche and reaching a daily production of 3.511 billion cubic feet, Mexican Petroleum [PEMEX] is ready to meet the demand for gas created by the country's industrial development. Carlos Orozco Sosa, PEMEX technical administrative subdirector, said today that this output will also meet the needs that may arise in the coming years.

This statement came before President Lopez Portillo opened the valve to inaugurate the 16-inch-wide and 207-km-long gas pipeline that goes from PEMEX to Queretaro to support the industrial development of a large area in the center of the country and promote the use of this fuel to conserve crude and refined oil.

Orozco Sosa, representing PEMEX director Jorge Diaz Serrano at the ceremony, pointed out that thanks to the growth of the national network of gas pipelines it is possible to meet the demands for this fuel in most of the country.

The principal pipelines are the 48-inch main of the Castuc to Los Ramones system with branches to Torreon, Monterrey and Chihuahua, and the 24-inch pipelines from Ciudad PEMEX to Mexico, Salamanca and Guadalajara with branches that supply the areas of Altiplano and Bajio.

The systems are complemented by a network of more than 13,000 km of pipelines capable of transporting more than 4.7 billion cubic feet daily. The national pipeline network is 15,800 km long.

However, PEMEX will have to expand the system to meet the national gas demand that will arise in the next 9 years. For this it will have to add 19,300 km of different-sized pipelines to the system so that all the states might have the fuel to develop their economies with diversified industrial backing.

The pipelines to be added will bring the total system in 1990 to 35,100 km, of which 7,000 will be used to transport distilled and liquid gas, 10,000 for gas and 2,300 for oil.

Orozco Sosa also said that nine more gas pipelines are under construction now, especially in the north of the country, and projects call for the installation of six more.

Built in 12 Months

The Queretaro-San Luis Potosi gas pipeline was built in 12 months at a cost of 560 million pesos. Initially, it will transport 100 million cubic feet of natural gas per day. Later on, this quantity will increase up to 190 million cubic feet per day, depending on the increase in demand.

In the ceremony held in the gas measurement plant, 40 minutes from San Luis Potosi, CANACINTRA [National Association of Manufacturers] state representative Roberto Garcia Navarro said that with the gas pipeline the state's productive panorama changes radically, because as a basic work of infrastructure, it completes the already existing one and offers the main services to the small- and medium-sized industries.

In addition to expanding economic development by attracting large industries, the gas pipeline will avoid environmental pollution in the state and deliver it from the problems affecting other areas of the country, problems due to an indiscriminate use of fuels.

From the measurement plant, the chief executive went to the dwelling units built by FOVISSSTE [Housing Fund of the Institute of Social Security and Services for Government Workers] for the benefit of 1,818 rightful claimants.

FOVISSSTE executive spokesman Jose Antonio Lara Gaytan explained to the president that the institution's housing programs will not suffer any delay and will be ready within the time planned despite the difficult situation the construction industry is experiencing throughout the country due to the rise in the price of inputs and the increasing shortage of available space to build housing intended for the labor sector of the country.

9341
CSO: 3010/1382

PEMEX HAS DOUBLED GAS FLAREOFF VOLUME

Mexico City EL SOL DE MEXICO in Spanish 18 Mar 81 p 12-A

[Text] Despite statements that the practice would be discontinued, Mexican Petroleum [PEMEX] has doubled the volume of gas it burns into the atmosphere, a loss evaluated at $16 billion, according to a task report to be released today.

The leader of the Mexican Workers Party [PMT], engineer Heberto Castillo, taking part in the series of discussions organized by the Association of Economists to commemorate the new anniversary of the nationalization of the oil industry, said that the gas flareoffs reached 427.9 million cubic feet last year, while the previous year they had amounted to only 245 million cubic feet.

Heberto Castillo, who gave out some of the data contained in the PEMEX task report, also said that business amortizations amount to 130 billion pesos, so that financing costs take 75 cents out of every peso.

PEMEX earnings during this last period were 500 billion pesos, of which 360 billion went to the enterprise and 135 billion to pay for financing.

The PMT leader complained about the fast pace of exploitation that is being carried out by the semiofficial enterprise, which makes it burn gas into the atmosphere, burning the equivalent of 250,000 minimum salaries.

He said also that this gas which is "sent" into the atmosphere could replace the energy to be produced by the new nuclear power plant of Laguna Verde when it starts operating.

During the discussion, Heberto Castillo favored slowing the pace of crude oil exports and said that if we had waited to sell oil at a better price than that for which it was exported during the last 4 years, the difference in prices would have meant an additional 7.45 billion pesos.

"We sell fast and low because there are inefficiencies that must be covered," he said and added that in our country oil "can produce development or disaster."

9341
CSO: 3010/1098

ENERGY ECONOMICS MEXICO

JLP INAUGURATES VARIOUS PETROLEUM FACILITIES

Mexico City EXCELSIOR in Spanish 19 Mar 81 p 19-A

[Text] As part of the activities commemorating the 43d anniversary of the nationalization of the oil industry, Jose Lopez Portillo, president of Mexico, today inaugurated facilities and industrial plants valued at 6,957,200,000 pesos and built by Mexican Petroleum [PEMEX] in the states of Veracruz and Tamaulipas, and launched an oil tanker costing 1,805,150,000, for a total investment of 8,762,350,000 pesos.

The president, accompanied by engineer Jorge Diaz Serrano, PEMEX director general and a member of his cabinet, inaugurated plants and installations worth 3.34 billion pesos in the Cosoleacaque Petrochemical Complex, the main ammonia-producing plant. In the General Lazaro Cardenas del Rio Refinery in Minatitlan, Veracruz, he set in operation seven installations costing 2.13 billion pesos.

Elsewhere, in Tampico, Tamaulipas, the president inaugurated the PEMEX Regional Hospital, whose expansion and remodeling cost 231 million pesos. In the refinery of Ciudad Madero, the chief executive toured four other new oil installations having a total value of 682.2 million pesos, and then went to the marine terminal of that same place, where he launched the oil tanker "Ahkatun I" and inaugurated a new floating dry dock and other port installations which required an investment of 570 million pesos.

Photo Caption 2

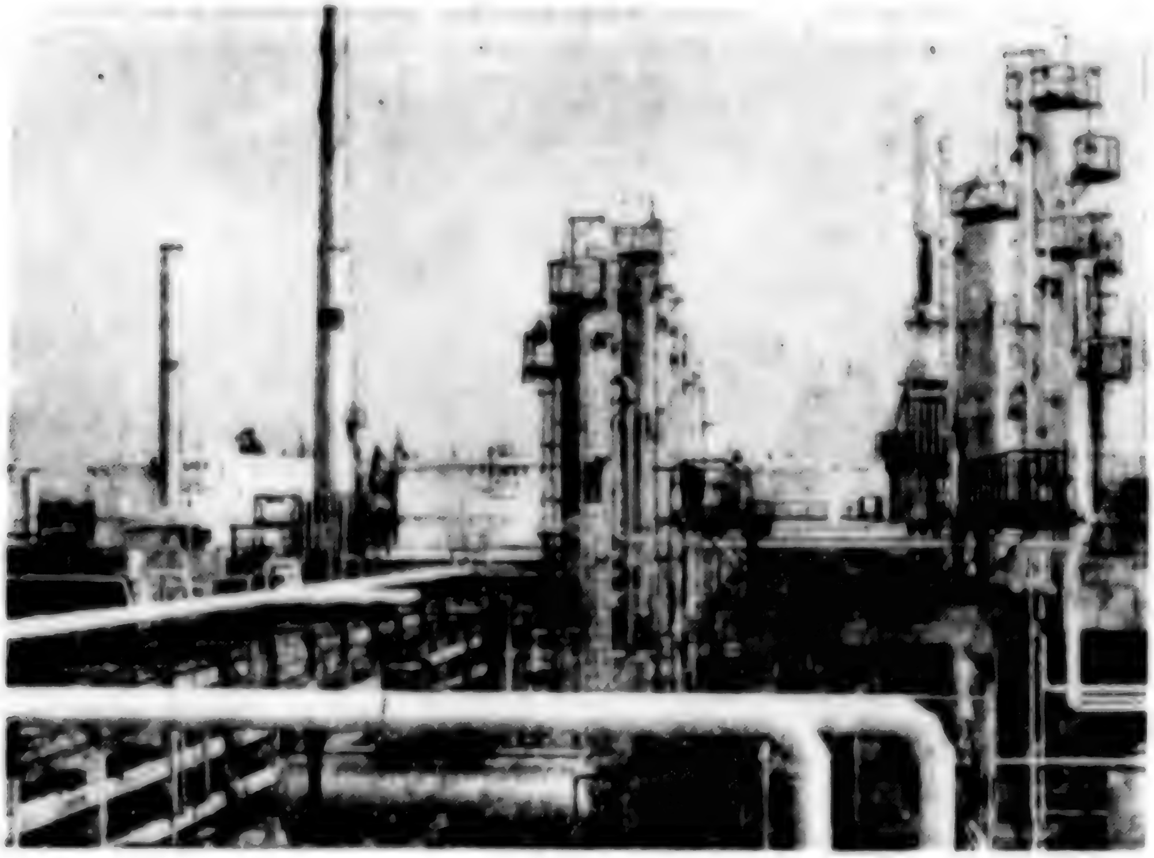

Photo Caption 6

PHOTO CAPTIONS

1. P 19-A. Cosoleacaque is the largest ammonia-producing complex in the world. In this photograph we can see Plant No 6 with a capacity of 1,500 tons a day, one of two new plants starting operation today.

2. P 19-A. View of the new gasoline refining plant of the General Lazaro Cardenas del Rio Refinery in Minatitlan, Vercruz. It has a capacity of 25,000 barrels a day and cost some 400 million pesos.

3. P 19-A. In this photograph we see the oil tanker "Ahkatun 1," anchored off the marine terminal of Ciudad Madero and behind, the new floating dry dock built by PEMEX and put in service today by President Lopez Portillo

4. P 19-A. Aerial view of the refinery of Ciudad Madero, Tamaulipas. In the foreground we see three tanks of 200,000 barrels each, installed by PEMEX to increase the storage capacity in this industrial center. This and other works valued at 682.2 million pesos were inaugurated today by President Lopez Portillo.

5. P 19-A. PEMEX Regional Hospital in Tampico, Tamaulipas. To provide better services to oil workers, it was expanded and remodeled at a cost of 231 million pesos.

6. P 19-A. At left, a partial view of the purifying plant; to the right, the hydrocarbon treatment and fractionating plant, and in the background, the area of storage tanks in the refinery at Minatitlan, Veracruz.

7. P 19-A. The new cooling tower of the refinery at Ciudad Madero, Tamaulipas, inaugurated today by President Jose Lopez Portillo as part of the activities commemorating the 43d anniversary of the nationalization of the oil industry.

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PEMEX TO DISCONTINUE 'NOVA' GRADE GASOLINE

Mexico City EL DIA in Spanish 16 Mar 81 p 1

[Article by Victor M. Salinas]

[Text] PEMEX will discontinue Nova grade gasoline this year and will introduce gasohol on the market so that automobiles will stop polluting the environment, while buses will consume liquified petroleum gas instead of diesel, "but will not be rolling bombs," spokesmen for the Under Secretariat of Environment Improvement [SMA] of the SSA [Secretariat of Health and Assistance] have told EL DIA.

They said that in addition, bus engines will be enclosed so that they will stop being "fuming chimneys" and roaring like "hoarse basses," which affects the ears and respiratory systems of 17 million inhabitants in Mexico City and its metropolitan area.

Replacement of Nova gas by gasohol will be the first step to fight the pollution produced by exhaust fumes and noise from 2 million cars.

The SMA said that PEMEX is already proceeding with the installation of plants "in order to be able to supply gasohol to the city of Mexico."

Research carried out by PEMEX and the Mexican Petroleum Institute in August of 1980 showed that by mixing gasoline with alcohol and methanol in a proportion of 85 to 15 percent respectively, polluting effects are decreased by 40 to 60 percent, depending on the age of the car.

SMA technicians assure us that by using liquefied petroleum gas instead of diesel, buses will not become "rolling bombs" as the people believe. "Our big problem is that we are fighting against an annual 12 percent increase in the number of vehicles. The solution is to increase public mass transit on a large scale."

9341
CSO: 3010/1098

THERMOELECTRIC PLANT PLANNED FOR DURANGO EJIDO

Mexico City EXCELSIOR in Spanish 19 May 81 p 28-A

[Text] Durango, 18 May--Today the FEC [Federal Electricity Commission] director general, Alber Escofett Artigas, told Armando Del Castillo Franco, governor of Durango, that within the next 2 months the CFE will begin installation of a modern 160-megawatt thermoelectric plant in the Monterrey Commons of the municipality of Lerdo, in Durango, a plant that will supply the states of Durango and Coahuila.

The state governor said this is a new show of support from President Jose Lopez Portillo to the fast development of Durango. It is also the result of steps taken by the state administration 6 months ago.

The thermoelectric plant will be built within 5 years and then will start its first operating stage by generating electricity to meet demands in the north of the country.

The work was requested by the state of Coahuila, which offered facilities similar to those provided by Durango. However, it was awarded to Durango due to contacts made with the secretaries of Patrimony and Instrial Development, Human Settlements and Public Works and Agriculture and Hydraulic Resources, but above all because of the support of the chief of state.

CFE officials told Del Castillo Franco that the plant will be an important source of jobs, since it will directly employ at least 4,000 workers during its construction stage. In addition, it will be instrumental in the urban development of the region, especially in places such as Villa Juarez and Monterrey, Durango, that offer many conveniences like climate, water, etc.

Mr Del Castillo Franco thanked President Lopez Portillo and Engineer Escofett in his name and that of the people of Durango for having awarded the work to Durango, because this is an important step in energy development.

9341
CSO: 3010/1382

CONTRACTS WITH FOUR NATIONS FOR SOLAR ENERGY WORK

Mexico City EL SOL DE MEXICO in Spanish 14 Mar 81 pp 1-B, 4-B

[Article by Arturo de Aquino]

[Text] Mexico will sign new agreements with Italy, France, the United States and Japan to develop solar energy.

These agreements will be implemented by guaranteeing a growing transfer of technology which will insure national self-sufficiency in the shortest possible time, said the director of the Exploitation of Salt Water and Solar Energy, engineer Javier Ibarra.

At the seminar on energy organized by the UN Economic Commission for Latin America, the official said that as of now a contract has already been signed with the FRG to develop a solar town, Las Barracas, expected to be completed in 1982.

He considered essential the training of Mexican technicians in this field, since the lack of technicians is one of the serious problems today.

He said that to overcome this problem, programs intended to increase the number of technicians in the field will be started, even introducing in textbooks the importance of solar energy and its possible role in meeting the country's needs.

He explained that in general, solar energy is irrelevant to the generation of electricity in the country, since its share of the overall output is expected to be 0.1 percent in 1982 and between 3 and 9 percent in the year 2000.

He agreed that even though solar energy development started in Mexico more than 25 years ago, today only the experience of Las Barracas exists, where, with the help of German technicians, a solar city has been installed where energy is used to desalinize sea water, produce climate-control in homes and provide electrical services such as public illumination, etc.

9341
CSO: 3010/1098

LA CANGREJERA TO SAVE BILLIONS IN CHEMICAL IMPORTS

Mexico City EL DIA in Spanish 12 May 81 p 9

[Text] Carlos Lopez Mora, petrochemicals manager of Mexican Petroleum, announced that, when the La Cangrejera petrochemical complex goes into operation, Mexico will become self-sufficient in ethylene oxide, which means a savings of foreign exchange in excess of $20 million this year.

The plan for producing pure paraxylene and the one for ethylene will also begin operating, and their production will make it possible, next year, to avoid importing those products, which were worth $280 million in 1980.

And with the III chlorinated byproducts plants in Pajaritos, which will go into service at the end of this year, another $95 million will be saved.

The total savings in foreign exchange will amount to $440 million per year, at 1980 prices, it was noted.

By 1982, we shall be in a position to import only butadiene and dodecylbenzene, and a few special peat products. We shall be self-sufficient in all the other basic petrochemical products, and will also have very substantial quantities to export.

The La Cangrejera petrochemical complex, which entailed an investment of 26.82 billion pesos, will enable our country to achieve self-sufficiency in the production of petrochemicals and will make it possible to gradually reduce the imports that are hurting our economy.

The aforementioned complex is the largest of its kind in Latin America, and has plants with a production capacity that rank with the greatest in the world.

Together with the Pajaritos complex, now in operation, the Morelos complex under construction and the Laguna de Ostion complex in the planning stage, it will constitute a new pole of industrial development which will be able to supply, first the national market, and then the international one, with 11 basic petrochemical products, namely: ethylene oxide, low density polyethylene, benzene, toluene, orthoxylene, paraxylene, heavy aromatics, xylene mixes, ethylbenzene and cumene, as well as propane, butane, butylene, pentane, hexane and naphtha.

These products represent a total annual production of 3 million tons.

The complex consists of 20 totally integrated plants, with the necessary facilities for auxiliary services, and buildings for the administrative operations that are required.

When this complex goes into operation gradually this year, when a domestic demand valued at 24 million pesos is anticipated, the difference between imports and exports will still result in a deficit of 6.5 billion pesos.

By 1982, with a domestic demand of 32 billion pesos worth of basic petrochemicals, the balance between imports and exports will show a surplus of 4 billion pesos. These figures eloquently attest to the importance of this complex, because the production from its plants, together with the two new ammonia units, comprise the factor that will foster this change.

The official added that the petrochemical industry in Mexico, during its creation and continuous growth, has not only produced benefits in the area of the economy, through a reduction in imports that could seriously upset our balance of payments, but has also promoted a highly significant social change, by permitting greater access to products satisfying the needs of all social classes, thus raising the population's standard of living.

2909
CSO: 3010/1374

BRIEFS

GAS, OIL IN BAJA CALIFORNIA--A PEMEX [Mexican Petroleum] spokesman announced today that a drilling rig discovered oil and natural gas in commercial quantities at a depth of about 4,800 meters in the Gulf of California, 16 kilometers from its northern tip. The statement (based on a message from AP transmitted abroad) noted that the test well is located 51 kilometers southeast of Mexicali, the capital of Baja California, and 16 kilometers from the mouth of the Colorado River. The message indicated that the gas and condensed gas elements from the test well indicate reserves in commercial volumes. It added that PEMEX will immediately set up other wells, in order to have a better idea of the region's reserves. Mexico claims to have hydrocarbon reserves amounting to 66 billion barrels, a volume which ranks fifth largest in the world. It has obtained nearly all its production to date in the southeastern part of the country and in waters opposite the Gulf of Mexico. [Text] [Mexico City EL SOL DE MEXICO in Spanish 2 May 81 Sec B p 1] 2909

OIL NEAR ISLA TIBURON--Yesterday, PEMEX reported that, for the first time on the Pacific coasts, in the geological province of San Felipe, on Isla Tiburon, sufficient quantities of hydrocarbons have been discovered to warrant their commercial exploitation. It said that the PEMEX technicians on the drilling vessel "Reforma" found gas and condensates in the No 1 border well drilled in the Gulf of Cortes, situated about 17 kilometers inland of the mouth of the Colorado River, and 50 kilometers from the town of Mexicali, in Baja California. [Text] [Mexico City FORO POLITICO Y POLEMICO in Spanish 11 May 81 p 26] 2909

CSO: 3010/1374

PETROPERU ANNOUNCES OIL PROSPECTING, EXPLOITATION PROJECTS

Lima EL COMERCIO in Spanish 29 Apr 81 p 1

[Excerpts] During the meeting held yesterday with the delegation of businessmen from Spain now visiting Peru, the general director of PETROPERU [State Petroleum Agency], Augusto Morales, announced that the PETROPERU oil exploration plan now includes drilling two wells in Aguaytia, in the central jungle area. One of the wells will seek to confirm the gas and oil reserves discovered there; the second project aims to determine whether the gas deposit in the first area is connected to a new deposit discovered 2 years ago.

He indicated that these wells will be drilled at the end of this year or in early 1982, with an investment of from $10 to $15 billion, and will be handled by Parke Drilling, the contracting firm operating in the jungle.

New Refinery and Pampilla Expansion

Also, Morales reported that feasibility studies are under way for a new refinery on the coast and an expansion at La Pampilla. He added that market studies and the needs of the nation will determine the construction site, though he indicated also that the southern area near Matarini is a possibility. The cost of the project would be $150 million and the production about 80,000 barrels daily.

Reserves in the Northern Jungle

Also he stated that geological studies are under way regarding the oil potential in the northern jungle, where reserves are estimated at between 5 and 15 million barrels. PETROPERU is operating in the area along with Occidental; Superior Oil will also conduct explorations, according to a contract which has just been signed.

Lastly he said that PETROPERU will step up its prospecting programs in Lot 8 of the northern jungle and in Lot 35 of the central jungle. Also talks have begun with the Elf Aquitaine companies of France for exploration of two lots of 400,000 hectares each in the continental shelf area off the Salaverry coast, La Libertad Department. In addition, negotiations are in progress with Cities Service Company for exploration of a lot comprising 1 million hectares in the northern jungle.

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TERRORIST ACTIVITY ON UPSWING, POLICE ARREST 200 ACTIVISTS

Lima EL COMERCIO in Spanish 22 May 81 p 1

[Text] The Peruvian Investigative Police [PIP] alone have solved 100 terrorist crimes up to now in various parts of the country and arrested some 200 activists.

Almost all those arrested said they were members of the extremist political group Shining Path, which is one of the factions of the Patria Roja group. Both are offshoots of the Peruvian Communist Party.

According to sources close to the PIP, from the documents seized in each of the raids made it is deduced that the activists who perform the acts of vandalism and terrorism are trained at the so-called "People's Schools."

There they are taught subjects ranging from the chemical processes for the making of homemade bombs to the methods of placing dynamite sticks in objectives previously picked by the "brains" of each group.

They Operate in Secrecy

It is also known that the terrorists generally operate in small groups of from three to a maximum of five members. Each of these groups has a chief or leader, who is the only one who has contact with the leaders of other groups. They, in turn, report to a sort of regional chief, who is apparently the only one who has contact with the members of the headquarters which promotes and plans terrorist actions.

According to the police, this system is put into effect so that possible betrayals or blunders by lesser members of each group will have no great effect.

Of those arrested, 75 percent are university students, who generally have left their studies to devote themselves full time to terrorist activities.

The places where terrorist action has been renewed the most, besides Lima, are: Ayacucho, Cajamarca and Huancayo, according to statistics in the possession of police.

For example, the band captured recently in Ayacucho, at that time commanded by Auberto Urriola, consisted of 10 members. It is the largest ever taken by the PIP.

Apparent leaders of the organization Edith Lagos Sanes and "Chino" Cahuata were taken in previous operations. The latter, however, was released due to the weakness of the evidence collected against him. However, the PIP points him out as one of the principal members of the terrorist organizations of the Shining Path Group.

The largest number of those arrested have criminal records, generally due to previous violations of the same nature.

At this time the PIP is training a group of 120 men in the new Division Against Terrorism (DICOTE).

The group is under the command of Col Hector Agurto Cisneros and is properly trained for fighting terrorists and guerrillas.

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POLICE ARREST 12 TERRORISTS, REPORT 1.5 BILLION IN DAMAGE

Lima EL COMERCIO in Spanish 21 May 81 p 1

[Text] The Investigative Police in Huamanga captured 10 terrorists, most of them students of the University of Huamanga (Ayacucho), including a minor, who are implicated in 50 acts of terrorism.

To these are added another two arrested by the PIP [Peruvian Investigative Police] in Lima, accused of crimes committed recently in schools on the Rimac River and business establishments of San Martin de Porres.

Material damage caused to public and private entities in Ayacucho is estimated at more than 33 million soles.

However, the total amount of losses caused by the terrorists is estimated at 1.5 billion soles, including the dynamiting of the high tension line towers which took place in Lima 2 days ago.

Minister of Interior Jose Maria de la Jara y Ureta, indignantly commented on these events yesterday: "The police forces have begun a war to the death against people who only want to destabilize the constitutional government," he declared.

At the same time, he reported on the arrests made by police in Ayacucho, emphasizing, "We cannot allow this wave of terrorism, whose basic purpose is that of frightening the people."

The Prisoners

Among those arrested in Ayacucho are Auberto Urriola Gonzales (he went by the name of Apolonio Quispe Gonzales), 25 years of age, born in Huancapi and a chemical engineering student at the National University of Huamanga.

The interrogations to which he was subjected led the police to locating and capturing the others involved in acts of terrorism in several parts of Ayacucho.

They are: Victor Ramiro Conisilla Reyes (22), an accounting student; Juan Quintanilla Flores or Elio Contreras Suares (24), a fine arts student; Teofilo de la Cruz Robles (22), a graduate accounting student; Alfredo Silvera Flores (19), a student of obstetrics; William Esquivel Caycho (24), a tailor by trade; Jesus Ponciano Avalos Mamani (25), a chemical engineering student; Gil Gotardo Castro Ludena (41), a teacher of the Mariscal Caceres Study Center; Julio Yupanqui Barboza, 56, an old iron dealer; and a 16-year-old youth, A.S.R.

According to Ayacucho police, the above-named prisoners had a large amount of Marxist-Leninist-Maoist literature, subversive leaflets, posters inciting to armed struggle and other documents referring to the communist party and the Shining Path group in their homes.

Also found in their possession were sticks of dynamite, ammunition, revolvers, a pistol and a "Hunckard" (a piece of wood with a chain used as a pugilistic striking weapon).

The Prisoners in Lima

Those arrested by capital police have the following names: Luis Alberto Timoteo Argote (30) and Jose Raul Cabrera Chavez (24), both communist members of the Shining Path group also.

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COUNTRY SECTION PERU

ULTRALEFT REPORTEDLY IMPLICATED IN TERRORISM

Lima OIGA in Spanish 27 Apr 81 pp 34-38

[Article by Roberto Sacrustegui: "Terrorism With Complicity"]

[Text] Puno, Cusco, Ayacucho, Arequipa, Lima and Huancavelica. It is no longer just firecrackers thrown at doors and windows of government offices; now, together with the blowing up of electric power towers, police offices are attacked for the purpose of stealing weapons and ammunition, schools and vehicles are dynamited and the guardians of order are also ambushed and killed.

The terrorist wave continues and to it is added the open or hidden complicity of ultraleftist leaders, who on the one hand use the parliamentary tribunal provided to them by the "bourgeois democracy," while on the other they support the terrorists in various ways.

Just since the first half of April, to cite the best known cases, there were incidents such as the attempt to blow up the antenna of ENTELPERU [National Telecommunications Enterprise of Peru] in Puno (where a GR [Republican Guard] lost his left hand), the dynamiting of a school on the Rimac River in Lima, dynamite attacks in Ayacucho and Cusco, the theft of submachineguns, revolvers and ammunition from a police station in Huanta--in which a sergeant of the GC [Civil Guard] was wounded--, the discovery of a terrorist center in Caylloma, Arequipa and the ambush at Yauli, Huancavelica, in which a GC was killed and another seriously wounded, the blowing up with dynamite of a National Bank pickup in Ayacucho, the theft of a large amount of explosives in Puno (66 sticks) and Ayacucho (37 sticks), the discovery of a sizable number of leaflets and pamphlets, which teach urban and rural guerrilla tactics and incite to "armed struggle."

While this is taking place, leaders of the left--legislators, to make matters worse--such as Horacio Zevallos or Manuel Dammert do not hesitate to come out in defense of individuals suspected of having committed terrorist or openly criminal acts. At the same time, politicians like Ricardo Letts, in documents circulated in his party, praise the "courage" of the members of Shining Path.

Last week UNIR [expansion unknown] leader and deputy from Arequipa, Horacio Zevallos, interceded, although unsuccessfully, for the release of a young student who had been caught in the act as he unloaded a large number of sticks of dynamite from a truck. In similar manner, Manuel Dammert, secretary general of the PCR [Revolutionary Communist Party] and deputy for Lima, charged in the middle of April that there was a "common campaign of police harassment." Dammert was referring to the fact that the PIP [Peruvian Investigative Police] accused one of his principal advisers, Felix Chaves Vasquez, of being the mastermind and ringleader of a gang which had blackmailed industrialists and various persons. "This is false," cried Dammert in a document profusely distributed among newsmen, "and it is a pretext for attacking the united left as a national political force."

Despite the fact that in the aforementioned document Dammert declared that the PIP did not offer any proof or argument which may incriminate his adviser, OIGA found out from sources close to the Fifth Trial Court where the case is being aired, that the adviser to Deputy Dammert, Felix Sandro Chaves Vasquez, 23 years-of-age, is allegedly accused as the planner and executor of the blackmail of seven persons (whose names we keep secret in our editorial offices) as a result of what was learned from statements by Augusto Leon Aparicio and Silvio Calle Chang to the court mentioned.

Leon Aparicio and Calle Chang supposedly said that Felix Chaves--who has worked with Dammert since July last year--urged them to take part in the consummation of blackmail and that he was the one who provided the names of the victims, the paper and envelopes and undertook to dictate the anonymous notes, obtained the postage to send some of the letters by mail, while others were taken to the homes of the persons to be blackmailed by Leon Aparicio and Calle Chang. The two are now at the disposal of the judge, while Chaves has not yet been charged despite the frantic defense by Deputy Dammert.

And while these cases follow each other--or that by Hugo Blanco, Dammert, Diez Canseco and other ultras who interceded before the minister of interior so that he will release nine alleged conspirators in acts of terrorism in Puno--Ricardo Letts Colmenares, leader of Revolutionary Vanguard [VR], in a little-circulated document addressed to its members, "explained" the role played by the terrorists and the one they will play in the future if they make a "tactical turn."

Letts said that Shining Path will have "no fewer than 250 to 300 persons, who have been tempering their courage and obtaining experience in this type of struggle," mobilized in the country. The leader of the VR added that "Shining Path has been capable of halting its activities for an entire month, in September, and renewed them in October with more intensity and frequency." This, according to Letts, tells of an important organizational and command structure, "since Shining Path has engaged in more than seven months of armed struggle activities, which is also more than any endeavor of the 60's."

After saying that members of Shining Path do not have the characteristics of guerrillas but rather of militiamen "because they take up arms at times to carry out a clandestine action but they remain in the places where they live and work," Letts comments apologetically: "With the language of action Shining Path has had a powerful impact on the national political picture."

Despite the fact that Letts believes it is proper--and in this he acts just like the majority of the ultra leaders--to "criticize" the position of Shining Path to the people, at the same time he considers the terrorists to be "strayed comrades," nothing more, because they "are within the people's camp." As if this were not enough, he adds: "There is the possibility of change or tactical turn by the Shining Path so that, keeping the flame of armed struggle burning, it can manage to solidify, consolidate and develop its organization within this concept. In this manner, Letts believes, it can happen that "against the violent action of reaction, Shining Path will be the political organization of the left with the best chances for becoming the central core, the vanguard of the popular camp for facing the tasks of the next period under reactionary violence."

This red forecast is not as innocent as the public utterances of the ultras, of course. Alfonso Barrantes Lingan, for example, told OIGA last week that terrorism "regardless of its color," is to be rejected. He added that it is the groups of the "deformed left" which assume a position expressed by terrorist actions, but he hastened to add that such acts are taken advantage of by the groups of the "ultraright" for also carrying out terrorism "for which the ultraleft is blamed."

This being the state of things, and while the position of the left toward terrorism always assumes the nature of disguising the wolf in sheep's clothing, "the tempered and courageous" members of Shining Path, of whom Letts speaks so affectionately, continue their labor of struggle. In Ayacucho the PIP last week arrested five men and a woman, whose ages range from 18 to 32 years-of-age, on whom were found 30 sticks of dynamite with their respective fuses and several copies of the manual "What Every Revolutionary Should Know About Repression."

The prisoners, who have already been placed at the disposition of the judge, confessed being guilty of the dynamiting of the dailies PALADIN and PANORAMA of Ayacucho (in March) and of dynamite attacks against the regional Housing and Construction office, the home of a trial judge, the home of a leader of a faction opposed to that headed by Shining Path member Victor Quintanilla Huaman, and the home of Marina Medina Zea, daughter of rancher Benigno Medina Carpio, brutally murdered 24 December 1980 by members of Shining Path (See OIGA No 17). Last year, they also blew up the Orde-Ayacucho Building with dynamite.

Another "revolutionary act" on 18 April, and whose origins, according to a police source, will be "explosive," took place when five persons attacked two GC in Huancavelica, killing one and wounding the other.

A special OIGA correspondent went to Huancavelica to investigate first hand the way in which the incident took place. However, he was not allowed to talk or photogrpah three of the five suspects captured after the attack mentioned heretofore. A police source told OIGA that the prisoners are now under investigation and that due to the information obtained, they are on the track of a vast network of terrorists who operate in several cities of the country. OIGA also found out that the prisoners, Mario German Vazquez Rojas, 25; Cesar Freddy Cruzat Cardenas, 21 and Nancy Angelmira Burga Alva, 20, confessed being guilty of the attempt to blow up the microwave tower of Huancavelica around the middle of this month (the charge was discovered before it exploded).

According to what GC Edibaldo Olaguivel Acasiete told OIGA--he is the survivor of the attack--he and Guard Ignacio Canteno Espinoza had been on the trail of a group of cattle rustlers when a little boy approached them and told them that he had noted the presence of five suspicious-looking individuals lurking around the old GC station of Yauli, 17 kilometers from Huancavelica. Upon arriving at the place, said Olaguivel, they were attacked by three men and two women wrapped in ponchos.

"They attacked us with rocks and after beating us they took a 38-caliber revolver and a submachinegun from us. They fired on Ignacio (Canteno) with the revolver, splitting a kidney into four pieces, I learned later. They left me unconscious."

The chief of the sector, GC Captain Marco Lopez Camus, and a group of guards managed to capture the three aforementioned individuals the next day in the parish of Laurichucocho at kilometer 23 of the highway running to the province of Lircay. In their possession they found the revolver with which GC Canteno was murdered and a satchel which contained a first aid medical kit, among other things.

OIGA managed to find out that an address in Huancayo was found in the possession of the three individuals (Bartolome Guerra Street in the Chupaca district). According to the report, a couple named Sira and Pompeyo lived there. He is allegedly a SUTE [expansion unknown] professor and she a social worker and member of Shining Path. It is said that the police found subversive material at this address and a map marked at places such as Acobamba and Angaraes, where apparently the couple was about to commit terrorist crimes.

Although investigations of the three prisoners because of the Yauli ambush are being made in the most absolute secrecy, a source told OIGA that Mario Vasquez Rojas, one of the prisoners, had wounds on the arms and legs (as a result of the clash with the police), while the other two are in perfect health and are being interrogated intensely.

For the time being, according to the source, Freddy Cruzat declares that he is a supporter of the PPC [Popular Christian Party], although he admits that a year ago he was a supporter of Shining Path. Cruzat is a native of Lima, while Mario Vasquez is from Huancayo and Nancy Burga is from Ayacucho. The three, according to the informant, lived in Lima and studied in a preuniversity academy.

Cruzat, moreover, allegedly said that in Lima, at the University Park, he accidentally met with a foreign individual who engaged him in a political conversation during which he suggested that he go to the Julcani mine in search of dynamite "for carrying out the revolution." Cruzat supposedly went to the site and then returned to Lima. In a second meeting, the foreign individual, according to the story obtained by OIGA, gave him an address in Huancavelica where he could make contact with the people with whom he finally participated in the ambush, which because of its characteristics, has once more placed terrorism in the eye of the storm."

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CSO: 3010/1375

TERRORIST ACTS REPORTEDLY REACH 900 SINCE LAST JULY

Lima EL COMERCIO in Spanish 11 May 81 p 6

[Text] Nine hundred terrorist acts of various types took place in the country between July last year and April 1981, according to figures by departments revealed to the Chamber of Deputies.

Those statements were made by populist Deputy Aureo Zegarra, who with other members of the Popular Christian Party, defend the application and continuance of Legislative Decree 46, better known as the Antiterrorist Law.

According to the aforementioned legislator, among other departments which in the past nine months suffered the effects of terrorist actions, Ayacucho withstood 25 attacks, Apurimac 20 and Arequipa 25 in 1980 alone, these being the areas which recorded the most incidents of this type that year.

The deputy mentioned, as he broadened his defense of the legislative decree against terrorism, that terrorism "is part of fascism" and that "it has passed from the ideological and physical phase to the selective aspect."

That is what he said, with other members of his party, upon assuming the defense of the antiterrorist legislation passed by the present government against the position of the groups of the left who have presented propositions to abolish that legal instrument and to which the PAP [Aprista Party of Peru] seeks to make changes.

The debate for the admission and forwarding to commissions of the leftist and Aprista proposals was recessed on Wednesday and should be renewed tomorrow, Tuesday.

During the debate it was also revealed that there exists a "white terrorism" via telephone lines, that it has been confirmed that "Molotov" bombs have been made, which have been damaging public and private establishments and that a policy of bombing has been put into practice by unpatriotic persons, whose effects--the blowing up of transmission line towers and other actions--have primarily harmed the civilian population.

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